

DEPARTMENT OF FISH AND GAME

2006 BUDGET ACT RESPONSE TO LAO SUPPLEMENTAL REPORT LANGUAGE

TABLE OF CONTENTS

Budget Act	Report Item #	Report Requirement
2006	3	Interim Progress Report on Tasks Associated with Corrective Action Plan, final report due on or before January 10, 2008.
	5	Interim Update on Five-Year Infrastructure Plan, final report due on or before January 10, 2008.
	6	Endowment Funds, due on or before January 10, 2008.

Legislative Analyst's Office Supplemental Report of the 2006 Budget Act 2006-07 Fiscal Year

Item 3600-001-0001 Department of Fish and Game

3. Progress Report on Tasks Associated With Corrective Action Plan

The department shall make progress reports for each task associated with its corrective plan available quarterly through January 2008 for legislative review upon request. These tasks include: (1) Review Management Tools for Monitoring Budget Allotments and Activities; (2) Review of Methodology Used to Project Revenues; and (3) Department Program Budget Structure Development; (3A) Department Project Codes Review, (3B) Program Activity Review, (3C) Cal STARS Index and PCA Review, (3D) Index/PCA Budget Allotments and Program Activities Review, (3E) Index and Program Alignment Review.

DEPARTMENT RESPONSE:

FY 2006-07 – 2007 Progress Report on the 2006 Corrective Action Plan

INTRODUCTION

CPS, Human Resource Services (CPS) believes the Department of Fish & Game (Department) is and has been working diligently to complete this immense project that will have immeasurable positive effects on the Department's fiscal reporting capability. Based on CPS's review, there are no potential problems or anticipated difficulties, other than the extended time, of a twelve month delay in the completion of the Component Budget Allotment development and distribution.

PROGRAM SUMMARY

This is an summary accumulation of quarterly (plus one individual month of October 2007) progress reports on the implementation progress of tasks identified in the 2006 Corrective Action Plan resulting from the Phase 1 Fiscal System Review as prescribed in the Legislative Analyst's Office (LAO) Supplemental Report of the 2006 Budget Act. This report covers the work performed by the Department for the period July 1, 2007 through October 31, 2007, in partnership with CPS.

BACKGROUND

Pursuant to a FY 2005-06 Budget Act augmentation of \$150,000 General Fund proposed by the Legislature, the Department was required through Supplemental Report Language to hire an objective entity to review its Accounting Systems for fiscal improvements. The Department contracted with CPS, Human Resource Services, in the sum of \$50,000 for a review of its fiscal systems, considered Phase 1. The contract deliverable resulted in CPS's issuance of the Phase 1 Fiscal Systems Review report in March 2006 documenting the Department's use of the CALSTARS accounting system for transactions and financial reporting. Based upon CPS interviews, testing, analysis, review of various audit reports and the many years of successful use of this system by most state agencies, CPS believes CALSTARS is a sound vehicle to accomplish the Department's accounting and financial reporting. As a result of the review, the LAO's Supplemental Report required the Department to provide a quarterly progress report on the implementation of the following Department-identified Phase 2 tasks:

- 1. Review management tools for monitoring budget allotments and activities
- 2. Review the methodology used to project revenues, and
- 3. Department program budget structure development, including:
 - A. Department project codes review
 - B. Program activity review
 - C. CalSTARS index and PCA review
 - D. Index/PCA budget allotments and program activities review
 - E. Index and program alignment review

Pursuant to this requirement, the Department re-engaged CPS on September 20, 2006 to assist in implementing systems and procedures to address the issues raised in the Phase 1 review, and identified for review and correction in Phase 2 to address the LAO's Supplemental Report Language. In this second contract with CPS for the appropriation balance of \$100,000 (reappropriated in FY 2006-07), their role is to provide oversight and technical assistance to the project's management, implementation and reporting. The project has a revised contract expiration date of December 31, 2009, proposed in an amendment in process, with continued assistance from CPS to identify and correct processes, and the deliverable of a final report.

This report includes a Recommendation Implementation Status Summary, followed by a detailed Task Status for the Prior Period, and CPS Planned Actions.

OUTCOMES AND PERFORMANCE MEASURES

Recommendation Implementation Status Summary

The following summarizes the progress of the implementation of recommendations from the Department's Phase 1 Fiscal Systems Review, and the tasks identified in *Item 3* of

the Interim Progress Report on Tasks Associated with the Corrective Action Plan specified in the LAO's Supplemental Report of the 2006 Budget Act. To date, the Department has implemented 27 of 36 recommendations (75%). CPS is in various stages of verifying recommendations for implementation.

Total	Quarterly Item #	Completed	In Process	No Action
36	1 – 36	27	9	0

Task Status for the Prior Period and CPS Planned Action

The following describes the **Department actions taken** and verified by CPS through October 2007 to address specific Phase 1 review recommendations and LAO Supplemental Report *Task #1* (review management tools for monitoring budget allotments and activities). CPS planned action and evaluation tasks are also described.

1. Evaluation of Pilot Automated Timesheet Submission.

CPS Planned Action & Evaluation

This task is **satisfactorily completed**. CPS believes no further action is required.

2. <u>Bring supervisors and managers into compliance with "Employee and Supervisor Time"</u> Reporting Guidelines.

The internal Audit Branch (AB) Manager indicated the audit concerning payroll issues is expected to be finalized after October 14, 2007. As a result, CPS has not had an opportunity to review this report. However, the AB Manager indicated this audit did not identify any problems concerning time reporting practices. Moreover, the Federal Government did not mention any problems concerning time reporting practices during the recent exit conference of the Sport Fish Protection and Wildlife Restoration Grant Programs audit.

CPS Planned Action & Evaluation

CPS will review the Department internal audit and the Federal Government audit reports upon issuance.

3. Develop a monthly reporting system for evaluation of labor distribution reports.

The Administration Division indicated the pilot report will not be run until after January 2008. The delay is a result of the Department's current project to convert the alpha-numeric data (PCAs, Indices, etc.) in the Budget Management System and CalSTARS to a new numeric coding system. Once this project is completed, the data in the Data Warehouse can be used to run the monthly time reporting system for evaluation purposes.

CPS Planned Action & Evaluation

CPS will review the results of running the monthly reporting system in February 2008.

4. <u>Ensure the accuracy of documentation of labor cost charged to Federal Assistance</u> Grants.

The Department has developed new procedures to gather and collect expenditure information to support federal claims for grant reimbursement. CPS reviewed the new "Federal Assistance Grant Guidelines," "Departmental Bulletin 2006-04, Time Sheet Procedures" and "How to Survive a Federal Assistance Audit," and found them to be clear and comprehensive. The manager of the Grant Management and Federal Assistance Branch (GMFAB) indicated that some training relative to these guidelines and procedures has already been provided and mandatory training for regional contract managers is currently being planned. The Department's implementation of this guidance and training will be demonstrated through the results of forthcoming Federal audits.

CPS Planned Action and Evaluation

CPS will review the results of forthcoming Federal audits.

5. Conduct internal control audits in accordance with *Financial Integrity and State Manager's Accountability Act (FISMA)*.

The internal AB Manager indicated the bi-annual FISMA audit is proceeding on schedule and will be available to support the December 31, 2007 required certification of the Department Director to the Legislature and Department of Finance.

CPS Planned Action & Evaluation

CPS will follow-up in January 2008 to ensure that the required certification has been accomplished.

6. Require Accounting Management to review and approve all adjusting entries prior to entry into CALSTARS and determine if there is an impact to current cash balance in the Fish and Game Preservation Fund (FGPF).

The Accounting Services Branch (ASB) has issued procedures for making adjustments to accounting records. The AB reviewed the use of these procedures and found that ASB management appears to be reviewing and approving all adjusting PFA entries prior to entry into CALSTARS.

CPS Planned Action & Evaluation

This task is **satisfactorily completed**. CPS believes no further action is required.

7. Review and develop process improvements and efficiencies regarding accounting special adjustments.

ASB has issued adjustment procedures. The AB reviewed the procedures and found that ASB appears to be properly following the new process for accounting PFA special adjustments.

CPS Planned Action & Evaluation

This task is **satisfactorily completed**. CPS believes no further action is required.

8. The internal Audit Branch will verify that adjusting entries are proper, documented and approved in its Financial Integrity and State Managers' Accountability Act (FISMA) financial statement audit.

The AB has completed a six month follow-up on its Cash Disbursement Cycle Audit and found that PFA adjusting entries appeared to be properly prepared, documented, monitored and approved by management.

CPS Planned Action & Evaluation

This task is **satisfactorily completed**. CPS believes no further action is required.

9. Quantify any immediate impacts to FGPF cash balance.

The Department assessed the impact to the FGPF as a part of determining a repayment plan of OSPR funds.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

10. Develop a plan to complete payment to OSPR.

The Department developed a repayment plan that OSPR management approved. The Department also developed a process to establish the manner in which Plan of Financial Adjustments (PFAs) are handled and financed through OSPR funds.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

11. Develop a plan to repay other borrowed funds.

The 2006-07 State Budget Change book contains Item 104 that explains the purpose of the \$19.9 million General Fund approved by the Legislature to repay dedicated accounts in the Fish and Game Preservation Fund. These funds are payable from account 3600-001-0200.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

12. <u>Develop a policy and process for PFA usage requiring Assistant Deputy Director, Fiscal Administration, review and approval.</u>

In July 2006, the Department developed updated desk procedures to handle PFAs. The AB intends to include a review of the use of these procedures in its audit that began in December 2006. The AB review of PFA procedures found that the ASB appears to be adhering to the Assistant Deputy Director review and approval policy for PFA usage, and that the PFA manual is up to date.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

13. Update Indirect Cost Rates.

Department Administration has updated and provided CPS with indirect cost rates and changes for both FY 2005-06 and FY 2006-07. The Federal Government is expected to include a review of indirect cost rate allocations as a part of its Sport Fish and Wildlife Restoration grant audit. This audit covers the 2004-05 and 2005-06 periods and is expected to be completed at the end of 2007.

CPS Planned Action & Evaluation

CPS will review the final AB report and the Federal audit report when they become available.

14. <u>Setup and utilize a uniform process for collecting Department matching costs for federal reimbursements.</u>

The Director's Bulletin 2006/03 was issued July 18, 2006. The Federal auditors indicated they intend to perform an audit of Department charges including matching costs as part of the Sports Fish and Wildlife Restoration grant program audits to be completed in October 2007.

CPS Planned Action & Evaluation

CPS will review the Federal audit report when they become available.

15. Create process for reporting OSPR revenues.

The Department's Information Technology Branch (ITB) is working on an automated method to provide OSPR with timely revenue information. The Business Analysis Unit reported that CALSTARS revenue data was being input into the Business Services Data Warehouse (BSDW) and three new revenue reports are now available to BSDW users.

CPS Planned Action & Evaluation

This task is **satisfactorily completed**. CPS believes no further action is required.

16. <u>Provide OSPR with detailed information regarding composition and method of allocating distributed Administration charges to OSPR funds.</u>

OSPR representatives have discussed this matter with the Budget Branch staff. The Department would benefit from written procedures that clearly describe the method used for allocating Distributed Administration costs. ASB management indicated it will provide OSPR at fiscal year end (August 2007) with the details supporting allocation of Distributed Administration to OSPR programs and funds.

CPS Planned Action & Evaluation

This task is **satisfactorily completed**. CPS believes no further action is required.

17. <u>Provide OSPR with copies of communications from control agencies relative to Pro</u> Rata and SMIF rates and computations.

ASB indicated that OSPR is provided this information annually.

CPS Planned Action & Evaluation

The task is satisfactorily completed. CPS believes no further action is required.

18. <u>Determine the procedure for including OSPR in the determination of the method</u> used to allocate SMIF interest to Fund 0207 sub account.

ASB will follow-up to determine whether action has been taken on this item.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

19. <u>Establish formal OSPR approval procedures relative to making PFA requests to the State Controller.</u>

The Department developed formal approval procedures. OSPR representatives indicated that the new procedures are sufficient to ensure that the Division has preapproval of PFAs involving OSPR funds.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

Department actions taken to address specific Phase 1 review recommendations and LAO Supplemental Report *Task #2* (review of methodology used to project revenues) include:

20. Review the revenue projection methodology.

CPS has reviewed, researched and commented on the revenue projection methodology.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

21. Posting of timely revenues.

The Department's implementation of the Automated License Data System (ALDS) is expected to improve revenue estimation by the Department. The delay in the contractor's (Outdoor Central) implementation of ALDS to the October 2008 timeframe will slow the Department's efforts to achieve an improved revenue estimation process.

CPS Planned Action & Evaluation

CPS will continue to follow-up with the Executive Sponsor and License and Revenue Branch staff on the implementation of the ALDS.

Department actions taken to address specific Phase 1 review recommendations and LAO Supplemental Report *Task* #3 (department program budget structure development) include:

22. Review funding assignments of PCAs for appropriateness (Tasks #3c & 3d).

The Department's PCA Numbering Code Convention Guidelines and the new Index Structure are completed. Also see items #34 and #35, within this report.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

Department actions taken to address Phase 1 review recommendations <u>not</u> specifically covered in the LAO's Supplemental Report include:

23. Improve Accounts Receivable collections.

A manager from the Program Management Branch has been assigned to work with ASB staff on a daily basis on Accounts Receivable (AR) collections. The primary focus is on accounts over 120 days old. Many of these accounts are being reclassified as contingent receivables, some of which will be submitted to the State Controller's Office requesting discharge from accountability. In addition, ASB has formed a collections unit lead, a working supervisor, to enhance collection efforts and they are reviewing and implementing new practices to increase collections.

ASB is continuing to pursue collection by attaching liens for outstanding environmental fees and initiating offset procedures with state taxing agencies.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

24. Improve collections of federal reimbursements.

ASB has developed procedures to support federal reimbursement and federal draw-downs. CPS reviewed the new federal cash draw-down procedures and found that they appeared effective in claiming federal monies on a prompt basis.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

25. Improve systems for collecting and remitting federal reimbursement receipts.

Department issued Director's Bulletin 2006/03 and desk procedures were developed to collect reimbursement for Federal Aid project costs. ASB is now utilizing the federal Smart Link and Noah systems to bill and collect reimbursements in a timely manner.

CPS Planned Action & Evaluation

The task is satisfactorily completed. CPS believes no further action is required.

26. Perform timely fund reconciliations.

The items included in this reconciliation issue were identified through CPS's review as well as an audit report issued by both the Department's internal Audit Branch and the Department of Finance Audit Office. The reconciliation subtasks are as follows:

a. Expenditures contained in the Business Services Data Warehouse (BSDW) and CALSTARS do match at the close of each fiscal month. However, ASB occasionally enters data into CALSTARS after the month-end close which disrupts the match, but not materially. Business Analysis staff contends that significant differences do not result because of this practice and that the data can still be relied upon.

CPS Planned Action & Evaluation

This subtask is **satisfactorily completed**. CPS believes no further action is required.

b. The Department internal AB Audit, WA 03-18, \$1.5 million in items contained in the General Checking Account as uncleared collections had not been reconciled. The ASB has resolved this problem. ASB reduced the amount of unreconciled items to \$250,000. The Department of Finance issued email permission to charge the remaining unresolved items to the General Fund. ASB provided CPS with a copy of this directive and confirmed that the Department is authorized to charge the remaining unreconciled items to the General Fund.

CPS Planned Action & Evaluation

This subtask is **satisfactorily completed**. CPS believes no further action is required.

c. Department internal AB Audit, WA 04-15; reconcile between subsidiary and General Ledger for Fund 200 as required by SAM 7800. The ASB reports it is in compliance with SAM 7800 relative to Fund 200 reconciliation.

CPS Planned Action & Evaluation

This subtask is **satisfactorily completed**. CPS believes no further action is required.

d. DOF Management Letter, Audit of Bond Funds, FEB 2005; reconcile the difference between CALSTARS Q16 and D16 reports in order to improve the accuracy of the encumbrance process. The ASB indicates this recommended reconciliation is a cumbersome task. ASB has devised another worksheet method to reconcile the encumbrance process that they report is more efficient and effective. CPS believes the new worksheet process will assist in ensuring the accuracy of the encumbrance process.

CPS Planned Action & Evaluation

The subtask is **satisfactorily completed**. CPS believes no further action is required.

e. Department internal AB Audit, WA 02-36, Dec 2003; numerous items had not been reconciled in the General Fund, Oil Spill Restoration Fund and Federal Trust Fund. The ASB reports that all reconciliations are current.

CPS Planned Action & Evaluation

The subtask is **satisfactorily completed**. CPS believes no further action is required.

27. Repay the \$1.5 million Loan to the Native Species Conservation and Enhancement Account.

Department administration indicates the loan was approved for repayment in July 2006. However, the Department has since determined the actual interest due requires an additional \$265,000 payment. The ASB reported that both the principal and interest on this loan have been repaid.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

28. Improve remittance to the State Treasurer and eliminate lost interest earnings.

ASB worked with the Department of Finance – Fiscal Systems and Consulting Unit (FSCU) to develop a procedure to eliminate uncleared collections. As a result, ASB has eliminated the remittance lags related to uncleared collections. ASB provides the Assistant Deputy Director, Fiscal Administration with status reports on a regular basis.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

29. <u>Assess the appropriate design, structure and staffing levels for the Accounting</u> Services Branch (ASB).

CPS has identified a number of opportunities to improve accounts receivable collections, accounts payable and reconciliation processes. CPS has established a work plan with the Assistant Deputy Director, Fiscal Administration to implement improvements in the operation of the accounting functions. CPS is currently assisting with development of desktop procedures for invoicing and collections, coding for multiple types of receipts, and other cashiering related work.

Improvements are planned to be implemented through December 2008 and written procedures for the entire Accounts Receivable and Cashiering functions are scheduled for completion by early 2008. In addition, a manager from the Program Management Branch (PMB) has been assigned to work with ASB staff on opportunities for improvement. In addition, the Assistant Deputy Director, Fiscal Administration and ASB Manager have developed a more efficient accounting design and structure. A review of position classifications and improvements are planned to be implemented within the last half of the fiscal year.

CPS Planned Action & Evaluation

CPS will follow-up with the Assistant Deputy Director, Fiscal Administration.

30. The internal Audits Branch should report to the Chief Deputy Director.

As of August 2006, the internal Auditor reports to the Chief Deputy Director.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

31. Report on the repayment status of \$2.2 million of borrowed OSPR funds.

OSPR representatives indicate the OSPR funds have been repaid.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

The following **Department actions taken** to address recommendations are <u>not</u> covered in the Phase 1 review but are included in the LAO's Supplemental Report *Task* #3 (department program budget structure development) and include:

32. Review department project codes (*Task* #3a).

The Financial Account Coding Guidelines are essentially complete and undergoing continuous modification.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

33. Review program activities (*Task* #3b).

This task is completed. Programs 20, 25, 30, 40, 45, 50, 70 and 96 are completed with program component descriptions, FGC 711 designations, outputs and outcomes.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

34. Review CALSTARS indices and PCA codes Task (#3c).

This task is completed. The PCA Numbering Code Convention Guidelines, Project Code Worksheets, and the new Index Structure are complete. The next step is to link PCA dollars to Program, Element and fund sources to build the component budget allotments.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

35. Review index/PCA budget allotments and program activities (*Task* #3d).

Due to the complexity of this task, it has been divided into two phases. In Phase 1, the Department successfully implemented the new numeric Index/PCA budget structure and components for time reporting, and expenditure purposes. In addition under Phase 1, the Department is currently working to implement the new FY 2007-08 Governor's Program Budget structure via Budget Revision and is converting all former alpha budget allotments to the new numeric budget allotments for all programs and organizations. Due to the immensity of this undertaking, converting the entire Department Budget Management System, the completion date for Phase 1 has been extended from September 30, 2007 to November 30, 2007. In Phase 2, the Department will build a prototype Component Budget System in the Data Warehouse for testing by linking funded PYs to components for building actual Component Budget Allotments. This will enable the Department to compare proposed Component Budget Allotments with actual expenditures being captured in

the prototype system. Because the completion date for Phase 1 has been extended, the completion date for Phase 2 has been extended from November 29, 2007 to January 30, 2008. Full implementation of the Program Component Budget System is expected to be fully implemented July 1, 2008.

CPS Planned Action & Evaluation

CPS will continue to follow-up on the completion of this task.

36. Review index and program alignment (*Task* #3e).

This task is completed. The new numeric coding convention and organizational sub indices are completed. Organizations have reviewed and cross-referenced the old to the new indices.

CPS Planned Action & Evaluation

The task is **satisfactorily completed**. CPS believes no further action is required.

Legislative Analyst's Office Supplemental Report of the 2006 Budget Act 2006-07 Fiscal Year

Item 3600-001-0001 Department of Fish and Game

5. Update on Five-Year Infrastructure Plan

On or before January 10, 2007, the department shall report to the chairs of the appropriate policy committees and the fiscal committees in both houses on an interim update on its five-year infrastructure plan. The interim update shall be provided after the department has conducted a comprehensive review of its infrastructure and deferred maintenance needs (facilities and lands).

DEPARTMENT RESPONSE:

FY 2006-07 -- Five-Year Infrastructure Plan - 2007-08 Report

PROGRAM DESCRIPTION

The Department of Fish and Game (Department) currently owns or administers 716 properties statewide, for a total of more than one million acres (606,306 owned and 476,335 administered). The 716 properties include 110 wildlife areas, 123 ecological reserves, 11 marine reserves, 233 undesignated lands, 180 public access areas, 21 fish hatcheries, and 38 miscellaneous lands. See attached tables for more detail.

The Department has a responsibility to maintain its lands and facilities in a sustainable condition for the purposes for which they were acquired, and to allow for their safe use and enjoyment by Department personnel and the public. Over time and due to limited resources, deficiencies in facilities maintenance and capital improvements are becoming increasingly apparent, compromising public health and safety, ecosystem health, public use opportunities, and relationships with neighboring landowners.

BUDGETED RESOURCES

Currently the Department has four Engineers, an allocation of \$500,000 annually in deferred maintenance and \$2.9 million for 2007-08 capital outlay projects; and \$530,000 in the Governor's proposed budget. In order to fully inventory the Department's needs for infrastructure improvements (Capital Outlay), technical services and ongoing maintenance, a comprehensive consulting contract for

additional expertise in the civil, mechanical, electrical and transportation disciplines is being considered using non-game, one-time General Fund monies (See FY 2006-07 Supplemental Report # 7, Statewide / HQ Projects in the Non-game Fish and Wildlife Trust Spending Plan).

PROGRAM ANALYSIS

As part of the Department's Five-Year Infrastructure Planning process, infrastructure needs are identified and tracked, including capital outlay, land restoration and other improvements. Department staff is currently evaluating the potential for expansion of the five-year planning process to address needs for:

- habitat management (including management of invasive species),
- ongoing infrastructure maintenance, and
- determining the carbon footprint of the Department and the potential for use of departmental lands to sequester carbon.

In addition, the Department is evaluating alternatives for capturing and assessing costs of these needs. The completion of a comprehensive inventory of infrastructure, and ongoing management and maintenance needs conducted with existing resources could take five or more years.

The Department Engineering Program is a small program responsible for the planning, construction, design, and surveying of Capital Outlay and Deferred Maintenance projects on Department lands, hatcheries, administration facilities, and laboratories. The Program consists of two (2) Civil Engineers, two (2) Civil Technicians, and one (1) Office Technician who manage budgets and projects in millions of dollars annually. In addition to Public Works Projects, Engineering staff provide engineering services; technical analysis of levees, wells, roads, and other miscellaneous structures and facilities; erosion analysis; and structural building inspection.

The statewide Department Lands Program is charged with the management of over one million acres of land and consists of 95 regional and seven headquarters staff responsible for all aspects of the program including:

- land acquisition (in coordination with Wildlife Conservation Board),
- species and habitat management,
- property and infrastructure maintenance, and
- providing opportunities to the public for activities such as hunting, fishing, wildlife viewing, education and research.

The Department's Hatcheries Program is charged with the management of 21 hatcheries, including eight Salmon and Steelhead facilities and 13 trout hatcheries. The program consists of 159 field and five headquarters staff responsible for all aspects of the program, including meeting mitigation and enhancement goals, egg and fish stocking allotments, property and infrastructure maintenance, assisting in the recovery of native fish species, stocking fish for recreational angling, supporting local economies, and providing public outreach opportunities through the involvement in the California Aquarium Education Project (CAEP), interpretative displays and guided hatchery tours.

Capital Outlay and Engineering Services projects on Department lands and facilities are identified and prioritized by Department regional and field staff and tracked using an Engineering Five Year Planning Schedule (E-FYPS) database. E-FYPS is a comprehensive database developed by the Engineering Program and used by the Engineering, Lands and Hatcheries Programs to track and schedule Public Works Projects along with Engineering Technical Requests. Currently there are projects approved in the enacted budget for completion in FY 2007-08 totaling \$2.9 million; and in the 2008-09 proposed Governor's Budget totaling \$530,000. The schedule of projects identified for completion in the next five years is estimated at over \$12 million; however, this amount has not been substantiated through a formal review process. ¹.

KEY MEASUREABLE OBJECTIVES

In September 2006, the Department requested that regional and field offices identify all infrastructure needs to update the E-FYPS. This information was entered into E-FYPS in November 2006 for fiscal analysis and prioritization of projects statewide through FY 2011-12. Refer to the attached Department of Finance approved 2007 and proposed 2008 California Five-Year Infrastructure Plan for the Department.

The Department has evaluated the concept of expanding E-FYPS for tracking ongoing development and management needs on Department lands and facilities. This evaluation involved a review of systems used by the California Department of Parks and Recreation (DPR) to track capital outlay, management and maintenance needs. DPR assisted the Department with this evaluation by providing information on its systems and procedures, and supports the Department in working toward the best solution.

The Department has concluded from its evaluation, systems currently in place for the tracking of capital outlay and deferred maintenance needs are adequate. The Department systems used to track these needs is comparable to those of DPR.

Systems used by DPR for tracking ongoing maintenance could likely be adapted for tracking facilities maintenance and habitat management needs. However, the Department currently lacks the resources to develop a corresponding tracking system, and most importantly, the staff and fiscal resources to gather, enter, and update the information.

_

¹ Department of Finance Five-Year Planning Schedule is attached.

The Governor's Executive Order S-01-07, requires state departments to determine their carbon "footprint" for purposes of identifying management alternatives to better manage carbon emissions. In addition and pursuant to AB 32, Chapter 488, Statutes of 2006, the Department is developing information concerning the potential for use of state-owned lands as opportunities for sequestration of carbon. DFG is collaborating with the Resources Agency and other entities to develop an assessment program to determine what management strategies, for the use of Departmental lands, would optimize carbon sequestration, while at the same time addressing public trust goals for fish and wildlife.

Lands Inventory Fact Sheet

Last updated September 14, 2007

Classification	Number of Properties	Total Acreage	
Wildlife Areas	110	700,358	
Ecological Reserves	123	174,827	
Undesignated Lands	233	162,700	
Public Access	180	5,274	
Fish Hatcheries	21	899	
Miscellaneous Lands	38	236	
Marine Reserve	11	38,348	
Total	716	1,082,640	

Acreage administered by the Department of Fish & Game.

Primary Management Purpose	Owned in fee title	Administered through MOU'S, leases, easements, management agreements	Total Acreage
Bighorn Sheep Habitat	32,006	235,220	267,227
Coastal Wetland Habitat	55,894	23,621	79,515
Deer Habitat	135,754	33,825	169,579
DFG Facilities	403	729	1,132
Fisheries Habitat	1,753	474	2,227
Grasslands/Uplands Habitat	20,282	11,678	31,960
Interior Wetland Habitat	120,465	32,412	153,354
Marine Habitat	0	39,192	39,192
Property Rights Only	1	0	1
Public Access	8,062	4,549	12,611
Right of Way Easements	0	0	0
Riparian Habitat	38,971	14,155	53,126
Special Habitats	45,409	42,251	87,661
T&E Species Habitat	147,305	37,750	185,056
Total	606,306	476,335	1,082,640

Notes: Undesignated Lands classification includes conservation easements totaling 117,061 acres.

2007 California Five-Year Infrastructure Plan

SECTION FOUR Infrastructure Needs & Proposed Funding by Agency & Department

Department of Fish and Game

The Department of Fish and Game (DFG) is responsible for managing California's fish, wildlife and plant resources, and the habitat on which they depend, for their ecological value and public enjoyment. Under general direction from the California Fish and Game Commission, the DFG administers numerous programs and enforces regulations and limits set forth in the Fish and Game Code. The major program areas are:

Biodiversity Conservation – This program encourages the preservation, conservation, and maintenance of wildlife resources. One component of this program is the review of California Environmental Quality Act (CEQA) documents. The DFG consults with lead and responsible agencies and provides the requisite biological expertise to review and comment upon environmental documents and impacts arising from project activities.

Hunting, Fishing and Public Use – This program helps provide for diverse and sustainable hunting, fishing, trapping, and other public uses, such as wildlife observation. Activities include collection and assessment of information on the distribution and abundance of game fish and other wildlife to determine the need for regulations (bag limits, gear restrictions, etc.) and to monitor the effects of those regulations.

Management of Department Lands and Facilities – This program manages department-owned or leased lands and facilities, including hatcheries, wildlife areas, ecological reserves, and public access areas. This program is responsible for administering the DFG's capital outlay program, as described in more detail below.

This program serves the public through hunter education and other conservation education programs, and promotes compliance with the laws and regulations that protect fish and wildlife resources, habitats, and public safety. The DFG's game wardens are the most visible example of this program.

Spill Prevention and Response – The objective of this program is to prevent damage, minimize impacts and restore and rehabilitate California's fish and wildlife populations and their habitats from the harmful effects of oil and other deleterious material spills in marine waters and inland habitats.

Existing Facilities: The DFG manages 711 properties statewide, comprising more than million acres (588,440 acres owned and 463,427 acres owned by other entities, but administered by DFG). Since several state agencies purchase land for the purpose of

habitat or wildlife protection, and management responsibilities of these properties are often transferred to the DFG, the number of properties is continually increasing. The 711 properties managed by the DFG include the following: 08 wildlife areas, 24 ecological reserves (which include conservation easements), marine reserves, 80 public access areas, 2fish hatcheries, 230 lands that have not yet been designated, and 37 other types of properties. The DFG is working on a number of studies to inventory and evaluate existing infrastructure.

Drivers of Need: The three main drivers of capital outlay needs for the DFG are the improvement or replacement of aging buildings, the improvement of newly acquired lands, and more recently, the enactment of Assembly Bill 7 (AB 7) of 2005—Chapter 689, Statutes of 2005—which includes mandates for increased hatchery production levels.

Of the more than million acres of lands managed by DFG, over 829,000 acres are dedicated wildlife areas and ecological reserves throughout the state. By law, the DFG is required to protect, manage, and maintain the wildlife resources and habitats on land it owns or administers. New properties are likely to be added to the Department's stewardship in the years to come. However, because these lands are typically acquired by other state agencies, such as the Wildlife Conservation Board, land acquisitions that will likely result in future capital outlay needs are discussed in other sections of this report. This section deals with the needs of lands currently administered by the DFG, with the caveat that future needs will likely change as new lands are acquired by the state and administered by the DFG.

Many DFG-managed properties require capital outlay expenditures to upgrade old structures, improve existing facilities, or provide new infrastructure on properties that are receiving increased wildlife-related public use. Some important examples include additional comfort stations, public interpretive facilities, parking lot and road upgrades, new office space, water structure improvements to maintain or reestablish wetlands, and levee improvements.

The DFG currently operates 2hatcheries statewide, including trout hatcheries, 8 salmon and steelhead hatcheries, and 2 fish planting bases, which range from 30 to 00 years old. While the 8 salmon and steelhead hatcheries are currently operated to mitigate the loss of natural spawning habitat, for which production levels are regulated by the National Marine Fisheries Service, the DFG has been responsible for setting production levels for the state trout hatcheries. Until recently, the production goals for the trout hatcheries have remained fairly constant.

The passage of AB 7 mandates that nearly one-third of the fees collected from the issuance of all sport fishing licenses be deposited in the Hatchery and Inland Fisheries Fund to be used for management, maintenance, and capital improvement of California's fish hatcheries, the Heritage and Wild Trout Program, other sport fishing activities, and enforcement of these activities. Furthermore, it establishes requirements for yearly increases to trout production through July , 2009.

Five-Year Needs: The DFG has requested approximately \$2.6million in capital outlay projects over the next five years for project planning, hatchery improvements, and various minor capital outlay projects. However, because the DFG has not completed a full analysis of its infrastructure needs, this plan may not accurately reflect the DFG's out-year needs. More refined needs will be included in the 2008 infrastructure plan.

The DFG has recently compiled a list of infrastructure and deferred maintenance needs, which was collected from the Department's various programs and was entered into its Engineering Five Year Planning Schedule (E FYPS) database. This database was developed by the Engineering Program and is used by the Engineering, Lands, and Hatcheries Programs to track and schedule projects identified by program staff in the field. Once the E-FYPS database can be properly analyzed, the DFG will be able to refine the needs included in this plan and develop the necessary level of project specific detail for inclusion in subsequent plans.

Funding Needs Reported by the Department of Fish and Game						
	(Dollars in Thousands)					
Category Description	07/08	08/09	09/10	10/11	11/12	Total
Critical Infrastructure	\$6,615	\$2,573	\$1,897	\$160	\$160	\$11,405
Deficiencies						
Workload Space Deficiencies	1,200	0	0	0	0	1,200
Total	\$7,815	\$2,573	\$1,897	\$160	\$160	\$12,605

Proposal: The 2007 Plan proposes \$2.9million in 2007 08 for various minor capital outlay projects and project planning. It is recognized that the DFG has significant additional infrastructure needs; however, more detail and analysis is necessary before those actual needs can be adequately quantified. As the DFG develops the necessary level of project-specific detail, these needs should be captured in future plans.

Consistency with Chapter 1016, Statutes of 2002: This proposal is consistent with the planning provisions of Chapter 06, Statutes of 2002, as this plan includes minor funding for the renovation and development of facilities in areas served by existing infrastructure. Furthermore, as the DFG develops more detailed infrastructure needs, the DFG will consider these planning guidelines in the development of future infrastructure proposals.

Proposed Funding for the Department of Fish and Game						
	(1	Dollars in	Thousand	s)		
Category Description	07/08	08/09	09/10	10/11	11/12	Total
Critical Infrastructure Deficiencies	\$2,922	\$0	\$0	\$0	\$0	\$2,922
Total	\$2,922	\$0	\$0	\$0	\$0	\$2,922
Funding Source						
Special Fund	\$2,232	\$0	\$0	\$0	\$0	\$2,232
Other	690	0	0	0	0	690
Total	\$2,922	\$0	\$0	\$0	\$0	\$2,922

Legislative Analyst's Office Supplemental Report of the 2006 Budget Act 2006-07 Fiscal Year

Item 3600-001-0001— Department of Fish and Game

6.	Endowment Funds.				
	On or before January 10, 2008, the Department shall report to the chairs of the appropriate policy committees and the fiscal committees in both houses on its plans to expend the endowment funds it has received as mitigation.				
<u>-</u>					
De	epartment RESPONSE:				

FY 2006-07 – Endowment Fund Management – Habitat Management Lands Management Program

PROGRAM DESCRIPTION

The Department of Fish and Game (Department) receives Habitat Management Lands (HM Lands) from public and private project proponents as mitigation for the environmental effects of various development projects. In addition, some mitigation lands are held in trust by non-profit organizations and approved mitigation and conservation bankers. The Department has a statutory mandate to assure management and protection of these HM Lands in perpetuity for the unique species and habitat values they support and for which they are protected. To ensure the long-term management of these lands, the Department requires project proponents to establish a management endowment, and the interest earned on this endowment is intended to fund the long-term cost of managing the HM Lands.

AUTHORITY

State policies for ensuring the long-term conservation of HM Lands is contained within the following statutes: Fish and Game Code §2050 et seq, §1802, §1600, §2830, and §1775 et seq, §1525 and 1580. These statutes and regulations promulgated pursuant to statute clearly establish a role for the Department in the management, protection, maintenance and administration of HM lands.

PROGRAM ANALYSIS

Endowment accounts held by the Department are deposited in the State Special Deposit Fund (SDF). Fish and Game code section 13014 [Added Statutes of 2004 Chapter 427, Section 1 (AB 2517)] established the Fish and Game Mitigation and Protection Endowment Principal Account and the Fish and Game Mitigation and Protection Expendable Funds Account within the SDF.

The Department's HM Land Management Program has not had permanent personnel resources to dedicate exclusively to management of HM Lands owned by the Department. These lands are currently managed on a custodial basis, utilizing temporary help and other labor provided under contract to the Department, and funded with monies generated from special deposit endowment accounts. The temporary help and contract labor expertise has been insufficient to effectively and efficiently accomplish the complex management tasks. Many lands are receiving only minimal coverage of management and monitoring tasks due to time constraints and other responsibilities of the permanent staff. As a result, the Department owned HM Lands intended for protection in perpetuity for their conservation values may no longer sustain the species populations anticipated to offset losses. Given the number of acres the Department is required to manage, permanent state staffing and a dedicated fund source would be the most appropriate long-term approach to implement the HM Lands Management Program.

Pursuant to Fish and Game Code Section 13014, the interest funds in the Endowment Principle Account must be appropriated for use by the Department, while funds in the Expendable Funds Account are continuously appropriated to the Department. These accounts hold in excess of \$50 million, and the Department has appropriated budget authority in the amount \$1.43 million annually to expend interest funds from the Endowment Principle Account to initiate this program. To correct the lack of consistent management and to ensure the HM Lands are conserved in perpetuity, the Department is obligated to successfully implement this HM Lands Management Program.

BUDGETED RESOURCES

The Department is implementing two recently approved proposals, one for FY 2006-07 and one for FY 2007-08. These two budget change proposals provide a total resource augmentation (**see Table 1**) of approximately \$1.4 million and 9 staff positions to the Department for the implementation of the HM Lands Management Program.

TABLE 1. Summary of HM Lands Management Program Resources and Acres of Habitat and Land Management Responsibility

FY 2006-07	FY 2007-08	Initial Program	
BCP	BCP	FY 2007-08	
0 Positions	9 Positions	9 Positions	
\$608,000	\$825,000	\$1.43 million	
46,500 Acres	51,000 Acres	51,000 Acres	
HM Lands	HM Lands	HM Lands	

It is anticipated that these staff resources will allow the Department to better manage and assess its available funding from the HM Lands endowment and enhancement accounts, provide dedicated staff to direct and perform required land management and maintenance on Department owned HM Lands, and allows the Department to review management activities and process reimbursement to third-party land and bank managers.

KEY MEASUREABLE OBJECTIVES

The Department is adding dedicated staff and initiating other improvements in Habitat Conservation Branch and the Lands Program to fully manage the HM Lands.

- 1) Allocate positions to Department Regions and Branches. (completed)
- 2) Recruit and hire qualified individuals into Department staff positions. (in process)
- 3) Review and prioritize initial HM Lands management needs for all HM Lands as outlined below. (in process)
 - Habitat Management Plan Development or Update
 - General Biological Resources Survey

Biological Resources Assessment and Monitoring
☐ Waters of the United States - wetlands
Covered species
Threatened or endangered species
Species of special concern other sensitive species
☐ Game species and common wildlife

Veget	ation Management
	Habitat improvement for target species
	Invasive species control and removal
Site S	ecurity and Safety
	Monitor trash and trespass
	Monitor maintain and repair fences and gates
	Fire hazard reduction
	Mosquito control & abatement

- Species and Habitat Management Research
- 4) Timely review and processing of reimbursement payments to third-party land managers and bank managers. **(ongoing)**

CONCLUSION

Over the next two years, the Department will identify specific land management needs for all HM Lands and work to implement land management on 25% of those lands by direct staff action and contract administration; encumber funding as necessary to implement initial projects; and continue to reimburse third-party land and bank managers for land management work completed on the HM lands they hold.